

July 5, 2002

Honorable J. Alex Valdez
Secretary
Department of Health
1190 St. Francis Drive
PO Box 26110
Santa Fe, New Mexico 87502-6110

Dear Secretary Valdez:

We have determined that New Mexico's application for Fiscal Year (FY) 2002 funds, under Part C of the Individuals with Disabilities Education Act (Part C), can be approved. Therefore, I am enclosing your State's Part C grant award.

The approval is based upon our receipt of your assurances for FY 2002. This includes the assurance from the Department of Health that the statewide system of early intervention services required by Part C and its implementing regulations is in effect.

Part III of the FY 2002 application for Part C funds requested updated information about each State's restricted indirect cost rate. Our records indicate that you do not currently have an approved restricted indirect cost rate as required under 34 CFR §76.563-76.569. By accepting Part C grant funds, your agency (as the lead agency designated under Part C) is agreeing either to use a restricted indirect cost rate or cost allocation plan as required under the Education Department General Administrative Regulations (EDGAR) or to not charge indirect cost rates to the Part C program. Since you do not currently have an approved rate, the Department has determined that it is necessary to impose a temporary restricted indirect cost rate until such time as you have obtained an approved restricted rate from your cognizant Federal agency, and provide documentation to that effect. Therefore, for this FY 2002 Part C grant, you may use an indirect cost rate not to exceed 2.5 %. This rate is a 50% reduction from your approved unrestricted rate; the Department has calculated this percentage reduction as the average reduction for Part C lead agencies that have gone from an unrestricted rate to a restricted rate. This rate will remain in effect until we receive evidence of an approved restricted rate.

Our records indicate that, for three of the last four Part C grants for which the obligation and liquidation period has ended (grants from Federal fiscal years 1996-1999), your State has failed to spend its entire grant amount. In several of those years, substantial amounts have remained unexpended, and were in effect returned to the U.S. Treasury. These funds could have been used by your State to better serve all infants and toddlers with disabilities in your State; alternatively, if the State had, on a timely basis, elected not to receive its entire grant award, the Department could have reallocated those funds to the other States for Part C early intervention services. If, by July

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1, 2003, you anticipate being unable to obligate all of the funds from the Part C 2002 grant award within the obligation period, please notify us immediately of the amount you will not be using to carry out the Part C program, so that the amount can be reallocated to other States. If you are unable to obligate all funds from the Part C 2001 grant award, please notify us as soon as possible so we can reallocate the funds to other States by September 30, 2002.

The enclosed grant award for FY 2002 is made with the continued understanding that this Office may, from time to time, require clarification of information within your application and appendices, if necessary. These inquiries are needed to allow us to appropriately carry out our administrative responsibilities related to Part C.

We appreciate your ongoing commitment to the provision of quality early intervention services to infants and toddlers with disabilities and their families.

Sincerely,

Stephanie S. Lee
Director
Office of Special Education Programs

Enclosure

cc: Andrew Gomm
Part C Coordinator